

Agenda 8-23; Item No. 2E Draft Order for discussion at agenda

***THIS ORDER IS NOT A FINAL ORDER AND MAY BE SUBSTANTIALLY REVISED
PRIOR TO ENTRY OF A FINAL ORDER BY THE PUBLIC UTILITIES COMMISSION
OF NEVADA***

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Joint Application of Nevada Power Company d/b/a)
NV Energy and Sierra Pacific Power Company d/b/a)
NV Energy for approval of the fourth amendment to its) Docket No. 22-11032
2021 Joint Integrated Resource Plan.)
_____)

At a general session of the Public Utilities
Commission of Nevada, held at its offices
on May 12, 2023.

PRESENT: Chair Hayley Williamson
Commissioner C.J. Manthe
Commissioner Tammy Cordova
Assistant Commission Secretary Trisha Osborne

[PROPOSED] ORDER

Table of Contents

I.	INTRODUCTION.....	3
II.	SUMMARY	3
III.	PROCEDURAL HISTORY.....	3
IV.	AMENDED JOINT APPLICATION.....	6
A.	Preferred Plan.....	6
	Commission Discussion and Findings.....	60
B.	Base Fuel and Purchased Power Price Forecast	66
	Commission Discussion and Findings.....	75
C.	Amended Transmission Plan – Hilltop Substation PST	75
	Commission Discussion and Findings.....	78
D.	Transmission Project Expenditures	79
	Commission Discussion and Findings.....	89
E.	Waiver of Separate-Entity Accounting Method	90
	Commission Discussion and Findings.....	95
F.	IRP Process Reforms	97
	Commission Discussion and Findings.....	121

The Public Utilities Commission of Nevada (“Commission”) makes the following findings of fact and conclusions of law:

I. INTRODUCTION

On November 30, 2022, Nevada Power Company d/b/a NV Energy (“Nevada Power”) and Sierra Pacific Power Company d/b/a NV Energy (“Sierra”) (collectively, “NV Energy”) filed with the Commission a joint application (“Joint Application”), designated as Docket No. 22-11032, for approval of the fourth amendment to its 2021 Joint Integrated Resource Plan (“2021 Joint IRP”). NV Energy filed the Joint Application pursuant to the Nevada Revised Statutes (“NRS”) and the Nevada Administrative Code (“NAC”) Chapters 703 and 704, including, but not limited to, NRS 704.741, NAC 704.9005 *et seq.*, and Senate Bill 448 (2021) (“SB 448”). Pursuant to NAC 703.190 and NAC 703.527 *et seq.*, NV Energy requests that certain information contained in its Joint Application receive confidential treatment. Phase I of the Joint Application, specifically NV Energy’s request for approval of the Silverhawk Peaking Plant and associated transmission infrastructure, was addressed in a previous Commission Order. This Order addresses the balance of the Joint Application (“Phase II”).

II. SUMMARY

The Commission grants in part and denies in part NV Energy’s Joint Application as delineated in the order below. The Joint Application included requests to modify the Supply Side, Transmission, and Renewable Plans. In particular, NV Energy’s Joint Application focuses on investments to further improve the reliability of NV Energy’s system. The Commission accepts NV Energy’s plan to contract for additional geothermal resources, procurement of a new phase shift transformer (“PST”), and continued operation of certain generation facilities. The Commission directs NV Energy to provide a more comprehensive plan for the replacement of the Valmy generating station (“Valmy”) in a future filing, as well as additional consideration of various transmission requests. Finally, as recommended by most of the intervening parties, the Commission opens an investigatory docket to evaluate recommendations regarding modifications to the electric resource planning process in Nevada.

III. PROCEDURAL HISTORY

- On November 30, 2022, NV Energy filed the Joint Application.
- The Regulatory Operations Staff of the Commission (“Staff”) participates as a matter of right pursuant to NRS 703.301.
- On December 12, 2022, the Commission issued a Notice of Joint Application and Notice of Prehearing Conference.
- On December 16, 2022, the Nevada Bureau of Consumer Protection (“BCP”) filed a Notice of Intent to Intervene pursuant to Chapter 228 of the NRS.

- On December 19, 2022, the Presiding Officer issued Procedural Order No. 1 adopting a procedural schedule and discovery processes.
- On December 20, 2022, the Las Vegas Global Economic Alliance filed comments. That same day, Western Resource Advocates (“WRA”) filed a Petition for Leave to Intervene (“PLTI”).
- On December 27, 2022, the Commission issued a Notice of Hearing.
- On January 3, 2023, Google LLC (“Google”) filed a PLTI.
- On January 4, 2023, Boyd Gaming Corporation, Station Casinos LLC, and Venetian Las Vegas Gaming, LLC (“Southern Nevada Gaming Group” or “SNGG”); Iron Point Solar, LLC (“Iron Point”) and Hot Pot Solar, LLC (“Hot Pot”), Wynn Las Vegas, LLC (“Wynn”) and Smart Energy Alliance (“SEA”); Nevada Resort Association (“NRA”); Caesars Enterprise Services, LLC (“Caesars”); MGM Resorts International (“MGM”) (NRA, Caesars, and MGM, collectively “CMN”); and Interwest Energy Alliance (“Interwest”) each filed PLTIs.
- On January 5, 2023, the Presiding Officer issued an Order granting the intervention of WRA.
- On January 6, 2023, the Presiding Officer held a prehearing conference.
- On January 9, 2023, the Presiding Officer issued Procedural Order No. 2.
- On January 11, 2023, Iron Point and Hot Pot filed a supplement to their PLTI.
- On January 13, 2023, the Presiding Officer issued Procedural Order No. 3. That same day Nevada Workers for Clean and Affordable Energy filed a PLTI.
- On January 17, 2023, the Presiding Officer held a continued prehearing conference.
- On January 18, 2023, NV Energy filed a Response to PLTI of Iron Point and Hot Pot.
- On January 20, 2023, the Presiding Officer issued an Order granting the PLTIs of Google, SNGG, Wynn and SEA, NRA, Caesars, MGM and Interwest. That same day, Iron Point and Hot Pot filed a Reply to Response of Nevada Power and Sierra to its PLTI.
- On January 24, 2023, the Presiding Officer held a continued prehearing conference.
- On January 30, 2023, Google, WRA, and Staff filed testimony.
- On January 31, 2023, the Presiding Officer held a continued prehearing conference.

- On February 1, 2023, the Presiding Officer issued an Order granting the PLTIs of Iron Point and Hot Pot and Nevada Workers for Clean and Affordable Energy.
- On February 10, 2023, NV Energy filed rebuttal testimony. That same day, the Presiding Officer issued Procedural Order No. 4.
- On February 14, 2023, the Presiding Officer held a continued prehearing conference.
- On February 15, 2023, Advanced Energy United filed comments.
- On February 16, 2023, the Commission held a hearing. NV Energy, Google, WRA, BCP, and Staff made appearances.
- On February 21, 2023, the Presiding Officer held a continued prehearing conference.
- On March 7, 2023, the Presiding Officer held a continued prehearing conference.
- On March 8, 2023, the Commission issued a Notice of Hearing
- On March 13, 2023, the Commission issued a draft order pertaining to Phase I of the Joint Application. That same day, the Commission issued Procedural Order No. 5.
- On March 16, 2023, the Commission issued an Order granting Phase I of the Joint Application.
- On March 17, 2023, WRA, NV Energy, Staff, Nevada Workers, Caesars, MGM, and NRA filed direct testimony. On that same day, BCP filed a stipulation between NV Energy and BCP to permit BCP to extend BCP's deadline to file direct testimony.
- On March 22, 2023, BCP filed direct testimony.
- On March 31, 2023, NV Energy filed rebuttal testimony.
- On April 4, 2023, the Commission issued Procedural Order No. 6.
- On April 10, 2023, the Presiding Officer held a hearing. On that same day, WRA filed revised direct testimony.
- On April 14, 2023, BCP filed a late-filed exhibit. On that same day, Staff and BCP filed errata to their direct testimony.

IV. AMENDED JOINT APPLICATION

A. Preferred Plan

NV Energy's Position

1. NV Energy provides that the Joint Application seeks: (1) approval of a new fuel and purchase power price forecast; (2) to amend the Generation portion of the Supply Plan with the continued operation of existing turbines at the Clark, Harry Allen, Chuck Lenzie, Silverhawk, Walter M Higgins, Las Vegas, and Sun Peak Generating Stations as well as the Clark Mountain units at the Tracy Generating Station, and the addition of 400 megawatts ("MW") of peaking combustion turbines at the Silverhawk Generating Station; (3) to amend the Renewable portion of the Supply Plan to add a new 120 MW geothermal portfolio long-term power purchase agreement ("PPA") between Sierra and Ormat, a 20 MW new geothermal technology long-term PPA between Sierra and Eavor, and a 200 MW grid-tied battery energy storage system ("BESS") at Valmy ("Valmy BESS"); a waiver of NAC 704.6546 to pass through to customers the full benefit of the investment tax credits ("ITC") for the Valmy BESS and Reid Gardner BESS projects; and (4) to amend the Transmission Plan to add infrastructure necessary for interconnection of the projects presented, to add capacitors at the Humboldt and Maggie Creek substations for static voltage support in the Carlin Trend load pocket, to replace the Bordertown Substation's PST with a new PST at the Hilltop Substation, and secure the necessary line routing studies, substations sites, permitting, land rights, and long lead time materials for several key transmission projects that have been identified in multiple studies to ensure the projects can be built in a timely manner to serve customers' schedules. These items collectively represent NV Energy's preferred plan (the "Preferred Plan"). (Ex. 100 at 12.)

2. NV Energy explains that its Preferred Plan addresses resource adequacy and meets the 16 percent planning reserve margin (“PRM”) for each utility, uses the new load forecast presented in the Third Amendment¹, addresses state and federal carbon policy and changes in fuel and purchase power prices, meets or exceeds the renewable portfolio standard (“RPS”) in every year, and advances the State’s 2050 clean energy goal. (*Id.*) While NV Energy provides that the Preferred Plan is not the least cost plan, NV Energy maintains that the Preferred Plan was selected because it does the most to address resource adequacy without creating long capacity positions. (*Id.* at 11-12.)

3. NV Energy provides that there are several factors driving the need for the Joint Application at this time. (Ex. 114 at 5.) First, NV Energy explains that the updated load forecast presented in NV Energy’s Third Amendment showed an increase in load that currently would be served by market capacity. (*Id.*) NV Energy elaborates that delays, shortfalls, and/or cancellations of any approved renewable resources currently under development would increase NV Energy’s open capacity positions, cause increased reliance on an uncertain market, and shorten the time period of NV Energy’s forecasted RPS compliance periods. (*Id.*) In particular, NV Energy explains that it became aware that the Iron Point and Hot Pot projects would likely not meet their respective planned in-service dates. (*Id.*) NV Energy highlights that these two projects were to provide capacity, energy, and portfolio energy credits (“PC”) to both Nevada Power and Sierra. (*Id.* at 5-6.) NV Energy states that these projects were also to provide the voltage support to the Carlin Trend load pocket that is currently provided by coal-fired

¹ Docket No. 22-09006, Joint Application of Nevada Power Company d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy for approval of the third amendment to its 2021 Joint Integrated Resource Plan, “Third Amendment”.

generation at the Valmy. (*Id.* at 6.) NV Energy outlines that the updated load forecast and the loss of approved projects put increased pressure on the open capacity position. (*Id.*)

4. NV Energy provides that the Preferred Plan excludes the Iron Point and Hot Pot units for the Load and Resources Table and subsequent modeling, and includes the continued operation of most of NV Energy's combustion turbines. (Ex. 114 at 7.) NV Energy explains that these units are an economic source of capacity to improve resource adequacy over the planning period of the Amendment. (*Id.*) NV Energy provides that the Preferred Plan also includes the addition of the Silverhawk Peaking Plant in 2024, adds two new power PPAs for geothermal energy, and adds the Valmy BESS in 2025 as a partial replacement of the Valmy coal plant and to provide dynamic voltage support for the Carlin Trend load pocket in the absence of the Hot Pot and Iron Point projects. (*Id.*) NV Energy elaborates that one PPA is for a portfolio of new and existing geothermal projects for up to 120 MW with various in-service dates and that the other PPA is a 20 MW project using a new geothermal technology, which should reach full output by the end of 2028. (*Id.*) NV Energy maintains that the Valmy BESS relies on the recently passed Inflation Reduction Act ("IRA") by conservatively reflecting a 30 percent ITC for a standalone battery. (*Id.*) NV Energy states that NV Energy will also pursue the additional 10 percent ITC available for installing the Valmy BESS at a retiring coal plant. (*Id.*) In the alternative, NV Energy points to a static synchronous compensator ("STATCOM") that will use new capacitors at the Humboldt and Maggie Creek substations to provide dynamic voltage support for the Valmy area if the Valmy BESS is not approved. (*Id.* at 7-8.)

5. As of the date of this filing, NV Energy states it is uncertain on the timing or future of the Hot Pot and Iron Point projects. (*Id.*) As a result, NV Energy explains that it is being proactive in requesting approval of the BESS to ensure the timely retirement of the Valmy

coal plant. (*Id.*) NV Energy provides it will continue to work with the developers of Hot Pot and Iron Point, and, in the event there is more certainty on timing and price of the projects, NV Energy will make a filing with the Commission to either inform or seek approval of the projects moving forward in relation with the Valmy BESS. (*Id.*)

6. NV Energy states that it is pursuing a limited solution to the capacity needs of Sierra. (*Id.*) NV Energy elaborates that Sierra's growing capacity need, continuing RPS need, and replacement of Valmy capacity are addressed to a limited extent in this Amendment through the addition of geothermal projects, as well as the Valmy BESS. (*Id.*) NV Energy provides that every alternative case put forward in this filing includes incremental placeholder resources for Sierra starting as early as 2025 to address the continuing capacity need. (*Id.* at 8-9.) NV Energy explains that while Nevada Power has incremental placeholder resources in the same time frame, Sierra's need is acute due to its import constraints. (*Id.* at 9.) NV Energy states that the need for near-term placeholders in all cases evaluated indicates that the identified capacity additions are insufficient to satisfy all the needs of the system, notably in northern Nevada. (*Id.*) NV Energy explains that, rather than waiting to file until more northern resource options are identified, which could limit the ability to add resources in 2024 and possibly jeopardize the timely retirement of the Valmy coal plant, NV Energy proposes to acquire sufficient resources at this time to address the voltage support need currently satisfied by Valmy, as well as a portion of the capacity needed by the northern system. (*Id.*) NV Energy states that the BESS project adds both dynamic voltage support and a limited amount of capacity in the Carlin Trend load pocket, and may potentially pair well with future renewable resources in the area. (*Id.*) NV Energy maintains that postponing the selection of a complete solution allows additional time for more northern resource options to become available for evaluation for a more robust solution to Sierra's

capacity needs, including the potential return of the Hot Pot and Iron Point projects. (*Id.*) NV Energy offers that it is NV Energy's intent to bring forward more resources in a future amendment to further address northern Nevada's need in addition to the ongoing overall capacity needs to improve resource adequacy statewide while employing the IRA tax credits on behalf of customers. (*Id.*)

7. Despite NV Energy's request for fossil fuel generation, NV Energy maintains that it is not deviating from its clean energy goals and remains committed to Nevada's sustainability goals. (*Id.* at 10.) NV Energy states that the Preferred Plan achieves and exceeds the RPS in all years and, as in recent IRP filings, targets NV Energy's proportionate share of the state's 2050 clean energy goal. (*Id.*) NV Energy provides that firm dispatchable resources, which could include — and are modeled as — gas turbines, contribute much more significantly to capacity in 2050 than they do to energy production, resulting in a positive impact on resource adequacy with minimal carbon dioxide emissions. (*Id.*)

8. Relative to the alternative plans, NV Energy explains that the Preferred Plan takes a larger initial step to decrease NV Energy's dependence on market purchases, reducing the risk of higher costs to customers that a larger open capacity position would pose. (*Id.* at 18.) NV Energy explains that the Preferred Plan fills more of NV Energy's near-term open capacity position with the addition of diverse resources — geothermal, combustion turbines, and battery systems — and does so at a reasonable cost. (*Id.*) NV Energy explains that this plan adds additional capacity starting in 2024, reduces the NV Energy's dependence on uncertain market purchases, supplies energy after solar resource output declines in the evening hours, and provides the needed voltage support for the Carlin Trend load pocket to allow the timely retirement of the Valmy coal plant. (*Id.* at 18-19.) NV Energy states that these resources replace some of the

